

THE FOREST RESERVE LAW IS AN EFFECTIVE TOOL FOR RETAINING PRIVATE FORESTS IN IOWA

Iowa's Forest Reserve:

In 1906 the Iowa Legislature passed a landowner property tax incentive known as the Forest and Fruit Tree Reservation Act to “reduce or eliminate property taxes to induce landowners to hold their poorer lands in timber not only as a source of farm income but also for erosion control, watershed protection and game cover.” To enroll in the Forest and Fruit Tree Reservation Act (Chapter 427C of the Code of Iowa) or as it is known to most people the “Forest Reserve” and be exempt from property taxes the private forestland must be:

1. **At least 2 contiguous acres in size** and generally not less than 66 feet wide or a fruit tree reservation not less than 1 or more than 10 acres in total area,
 2. **Shall not contain less than 200 growing trees**, on a fruit tree reservation at least 40 apple trees per acre and other fruit trees reservations at least 70 trees per acre’
 3. Forest trees are defined as ash, black cherry, black walnut, butternut, catalpa, honeylocust, Norway and Carolina poplars, mulberry, the oaks, sugar maple, cottonwood, soft maple, osage orange, basswood, black locust, European larch, and other coniferous trees, and all other forest trees introduced in the state for experimental purposes,
 4. In forest reservations which are artificial groves, willows, boxelders and other poplars shall be included when protecting borders not exceeding two rows in width
- around a forest reservation or when used as nurse trees not to exceed 100 on each acre.
 5. **No cattle, mules, horses, sheep, goats or hogs are permitted on forest reservations**, and
 6. Not more than 1/5 of the total number of trees in the forest reservation may be removed in any single year unless the trees die of natural causes. When the number of trees falls below 200 trees on each acre, the owner shall within one year restore the number of trees to not less than 200 trees per acre.
 7. If any buildings are standing on an area selected as a forest reservation, one acre of that area shall be excluded from the tax exemption. However, the exclusion of that acre shall not affect the area's meeting the acreage requirement.

The Natural Resources Commission issued Administrative Rules Chapter 73 Forest and Fruit Tree Reservations (last up dated and effective 2-4-87) that established criteria for establishing and maintaining forest and fruit tree reservations and County assessors annual report on forest and fruit tree reservations to the department of natural resources:

- Designation – prerogative of the taxpayer if it meets 427C
- Area Designated – must meet minimum acreage requirements
- Size of reservation – continuous area means an area which is not separated by public roads or streets
- Fencing – not mandatory to fence – taxpayer responsibility to ensure livestock are not permitted
- Number of trees – must contain 200 trees on each acre and one year to replace trees if removed
- Economic gain – gain from raising fruit or forest trees means gain from the harvest from trees, including but not limited to: fruit, nuts, Christmas trees and greens, posts, poles, logs, fuelwood, pulpwood and tree sap.
- **Please note – a forest reserve can not be used for leased hunting. (This is based on the presumption that wildlife is a product of the forest and not of the individual trees in the forest. Although the administrative rule does not specifically prohibit leased hunting).**

Private forestland owners interested in enrolling their forest or fruit trees into reservations must make application with the county assessor’s office from January 1 - February 1 of the year for which they are claiming exemption. Once the application is approved, the area shall continue to receive tax exemption during each year that the area is maintained as a forest reservation without having the owner re-file. This tax exempt status is transferred with the property as long as it qualifies.

The county conservation board or the assessor’s office in order to determine if it is still maintained as a forest or fruit tree reservation may inspect the reservation. If the area is not maintained or is used for economic gain other than a forest reserve for any of the exemption years and any of the 5 years following the exemption years, the assessor shall assess the property for taxation. Taxation will be at its fair market value as of January 1st of that year. In addition, the area shall be subject to a recapture tax for those years up to 5 years. The area shall not be subject to recapture tax if the owners have owned the area for more than 10 years. The county assessors shall keep a record of all forest and fruit tree reservations in the county and report to the DNR not later than June 15th of each year.

Forest Reserve Law – Historical Changes since 1906

The Forest and Fruit Tree Reservation program was established by the 31st General Assembly to encourage retention of poor lands into forests and wildlife habitat at a time of massive agricultural clearing. The Forest Reserve allows any person who establishes a forest or fruit tree reservation as provided in 427C.1-427C.13 (until 1991 was in Chapter 161) shall entitled to the tax exemption provided by law (441.22).

From 1907 until 1935, Forest Reservations had an appraised value of \$1/acre. Beginning in 1935, the appraised value was raised to \$4/acre. Beginning in 1974 the appraised value was \$14.82/acre. Beginning in 1986, the tax exemption for forest reservations was made to \$0/acre, and the economic gain allowed was more clearly defined to only relate to products of the tree (logs, firewood, seed,

etc.) clearly not allowing leased hunting and other forms of paid recreational opportunities. Other minor changes of the Forest Reserve involved the creation of a “recapture tax” and tightening up the requirement that if trees were removed that owners had one year to get back to the 200 trees per acre.

Forest Reserve Totals for 2007:

As of October 2007 the DNR reports that a total of **640,959 acres on 43,979 parcels** were enrolled in forest reservations in all 99 Iowa counties. The total number of acres in forest reservations runs from 27.52 acres in Sioux county (NW Iowa) to 51,058 acres in Clayton County (NE IOWA). The number of acres in forest reservations accounts for 21% of the total number of acres of forestland in Iowa (3 million acres).

Benefits of the Forest Reserve:

What benefits does the forest reserve have for Iowa? Since private forestland owners’ control 90% of Iowa’s forests, maintaining these lands in forests provides:

- ❑ **Habitat for game and non game species of wildlife** that depend upon forests for all or part of their life (deer, turkey, etc.), plus the economic activity for rural communities that cater to hunters and fishermen each year – over \$1.1 billion in 1999,
- ❑ **Watershed protection** for Iowa’s stream and rivers, reducing sediment – Iowa’s number one water pollutant, since 50% of Iowa’s forests are on slopes greater than 10% and the other 50% are right along floodplain areas,
- ❑ **Economic development in terms of the timber that is harvested**, in 2000 that involved over \$14 million paid to landowners, and over \$1 billion in economic activity in harvesting and processing of the 89 million board feet of standing timber into wood products,
- ❑ **Air quality enhancement** as the standing and living trees absorb toxic carbon and other pollutants,
- ❑ **Outdoor recreation for property owners, neighbors, and visitors** to our state, as fall color viewing in NE Iowa alone brings in over \$5.9 million to local economies.

2003 Forest Reserve Survey Results:

In the fall of 2002, supported by a grant from the USDA Forest Service and the DNR Forestry Bureau, the University of Northern Iowa Strategic Marketing Service began a survey of forest reserve owners to determine information about forest reserve owners, their residency, their land management intentions and investments. A total of 7,500 self-completion surveys were delivered to Forest Reserve Participants who own land in 98 of the 99 Iowa counties. Of this total, 1000 random responses were processed for a response rate of 13.3% with an accuracy of plus or minus 3.8%. Results from the survey indicate that the vast majority of landowners enrolled in the Forest Reserve Program:

- Own between 1 and 100 acres of forest reservation,
- ½ have owned their forest reservations for more than 16 years,
- 85% live within 25 miles of their forest reserve, only 2.8% live out of state
- Major reasons for ownership are
 - Enjoy the Beauty and Scenery
 - To protect nature and biological diversity
 - Wildlife habitat
- 70% allow friends, neighbors to use their forest reserve for recreational purposes and approximately 2% charge a fee for that use,
- 70% of the forest reserve owners have greater than 10 acres of forestland,
- 77.7% of the owners reside in the county where their land is listed as a forest reserve,
- Only 22.5% have a written forest management plan prepared by a forester,
- Over 50% have completed some form of tree planting or timber stand improvement work,
- Over 55% report that they will do some form of tree planting or timber stand improvement work in the next 5 years,
- DNR Foresters were the source of most forestry information,
- Approximately 32% of forest reserve owners are members of the Iowa Farm Bureau, and
- 77.3% of forest reserve owners are between the age of 46 and 75

Cost of Iowa’s Forest Reserve

- From 2007 data the 640,900 acres is valued at \$205 million.
- Based upon an average \$7/acre tax value estimated property tax loss due to forest reserve state wide is \$4.49 million.
- Estimated property tax loss for forest reserve ranges from \$341,000 for Clayton County to \$84.63 for Sioux County
- Average property tax loss due to forest reserve is estimated to be \$41,900/county
- According to a Journal of Forest Economics article Assessing the non-timber values of forests it was determined that the typical hardwood forest in Wisconsin provides \$49.42 to \$59.30/acre per year.
- Based upon the 2005 Forest reserve acres of 619,965 the non timber values would be worth approximately \$36,577,935/year.
- This equates to a benefit cost ratio of 8.1 to 1
- If Iowa had to lease forest reserve acres via a CRP rental payment of \$105/acre per year the cost would be \$65,096,325/yr.